

Message Text

LIMITED OFFICIAL USE

PAGE 01 BONN 20577 01 OF 02 192003Z

73

ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/103 W

----- 103677

R 191709Z DEC 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5238

INFO AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USDEL MTN GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 20577

E.O. 11652: N/A

TAGS: ETRD, GATT

SUBJ: MTN: DATA BASE - SUBSIDIES

REF: (A) STATE 204944; (B) BONN 17685; (C) BONN A-14,
JAN 5, 1973

1. SUMMARY: FRG SUBSIDIES REPORT, WHICH WAS
RELEASED IN LATE NOVEMBER, REVEALS THAT RELATIVELY FEW
CHANGES HAVE BEEN MADE IN SUBSIDY PROGRAMS. THE
NOMINAL VALUE OF SUBSIDIES AND FOREGONE TAX RECEIPTS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 20577 01 OF 02 192003Z

HAS INCREASED EACH YEAR, BUT GENERALLY AT A LOWER RATE

THAN THAT OF INFLATION. THE DIRECT EXPORT SUBSIDY FOR BREEDING CATTLE WILL BE ELIMINATED IN 1976. END SUMMARY.

2. TOTAL SUBSIDIES BUDGETED FOR 1975 AMOUNT TO DM 50.46 BILLION, AN INCREASE OF 6.2 PERCENT OVER 1974 PAYMENTS. IN 1976 TOTAL SUBSIDIES ARE PROJECTED TO REACH DM 52.1 BILLION, AN INCREASE OF 3.6 PERCENT OVER 1975. THE FEDERAL GOVERNMENT HAS PROVIDED DM 26.56 BILLION IN SUBSIDIES IN 1975, WHILE THE LAENDER (STATE) GOVERNMENTS HAVE PROVIDED DM 23.90 BILLION. DIRECT FINANCIAL ASSISTANCE ACCOUNTS FOR DM 19.94 BILLION OF 1975 TOTAL SUBSIDIES, AND TAX CONCESSIONS RESULT IN FOREGONE TAX RECEIPTS OF DM 30.52 BILLION. SUBSIDIES ARE DIVIDED AMONG ECONOMIC SECTORS AS FOLLOWS: TRADE AND INDUSTRY (21.3 PERCENT), FOOD AND AGRICULTURE (13.5 PERCENT), TRAFFIC AND TRANSPORTATION (4.5 PERCENT), HOUSING (18.5 PERCENT), SAVINGS (18.2 PERCENT), AND OTHER PURPOSE PURPOSES (24.0 PERCENT).

3. SUBSIDIES EXTENDED BY LAENDER GOVERNMENTS ARE NOT LISTED IN DETAIL IN THE SUBSIDIES REPORT. EXCEPT WHERE NOTED, REMAINDER OF THIS CABLE THEREFORE DEALS ONLY WITH FEDERAL PROGRAMS. DIRECT FEDERAL FINANCIAL ASSISTANCE TO TRADE AND INDUSTRY WILL BE REDUCED FROM DM 1.97 BILLION IN 1975 TO DM 1.77 BILLION IN 1976, WHILE TAX CONCESSIONS WILL BE SOMEWHAT HIGHER, RESULTING IN FOREGONE TAX RECEIPTS OF DM 4.01 IN 1976 AS COMPARED TO DM 3.69 BILLION IN 1975. THE REDUCTION OF DIRECT FINANCIAL AIDS IS DUE PRIMARILY TO REDUCTIONS OF SUBSIDIES FOR CLOSING DOWN MINES AND ABOLISHMENT OF SUBSIDIES FOR PRODUCTION OF COKING COAL, POWER GENERATING PLANTS USING HARD COAL, AND COAL STOCKPILES. FINANCIAL AID TO THE TRAFFIC AND TRANSPORTATION SECTOR, WHICH INCLUDES SHIPBUILDING, WILL REACH DM 734 MILLION IN 1976, COMPARED WITH DM 697 MILLION IN 1975.

4. DIRECT FINANCIAL AIDS TO INDUSTRIAL SECTORS IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 20577 01 OF 02 192003Z

1976 ARE CHANNELED PRIMARILY TO THE ENERGY (DM 670 MILLION FOR COAL AND DM 295 MILLION CRUDE OIL SUPPLY), AIRCRAFT (DM 314 MILLION) AND SHIPBUILDING (DM 236 MILLION) SECTORS. AIDS TO THE AIRCRAFT AND SHIPBUILDING INDUSTRIES, TOGETHER WITH THE MORE MODEST ASSISTANCE TO THE COMPUTER INDUSTRY (DM 25 MILLION IN 1976) ARE KEYED TO EC INDUSTRIAL POLICY PROGRAMS. THE FRG HAS SHOWN GREAT RELUCTANCE TO EXTEND THESE

AIDS TO OTHER INDUSTRIAL SECTORS. DESPITE SEVERE
STRUCTURAL AS WELL AS CONJUNCTURAL
PROBLEMS BESETTING AUTOMOBILE AND CONSTRUCTION
SECTORS IN 1975, NO SPECIAL SUBSIDIES OR TAX
CONCESSIONS WERE GRANTED TO FIRMS IN THESE SECTORS.

5. MOST REGIONAL AID PROGRAMS ARE ADMINISTERED BY
LAENDER GOVERNMENTS BUT FINANCED IN PART BY THE
LAENDER AND IN PART BY THE FEDERAL GOVERNMENT. THE
MOST IMPORTANT PROGRAMS, COMPRISING INVESTMENT AIDS
AS WELL AS SUBSIDIES TO DEFRAY TRANSPORTATION COSTS,
ARE DESIGNED TO SUPPORT INDUSTRIAL, TRADE, AND
AGRICULTURAL ACTIVITIES IN BORDER AREAS AND BERLIN.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BONN 20577 02 OF 02 192002Z

73

ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/103 W

----- 103645

R 191709Z DEC 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5239

INFO AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USDEL MTN GENEVA

LIMITED OFFICIAL USE SECTION 02 OF 02 BONN 20577

IN ADDITION, ALL LAENDER GOVERNMENTS EXCEPT HAMBURG PROVIDE SUBSIDIES TO ENCOURAGE DIVERSIFICATION OF MANUFACTURING FACILITIES AWAY FROM AREAS OF HEAVY URBAN CONCENTRATION.

6. NO MAJOR CHANGES HAVE OCCURRED IN THE AGRICULTURE SECTOR. TOTAL DIRECT SUBSIDIES HAVE DECREASED FROM DM 3.55 BILLION IN 1973 TO DM 3.27 BILLION IN 1975, WITH DM 3.13 BILLION PROJECTED FOR 1976. TAX
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 20577 02 OF 02 192002Z

EXEMPTIONS HAVE INCREASED FROM DM 1.14 BILLION (OF WHICH 426 MILLION ARE FEDERAL EXEMPTIONS) TO DM 1.24 BILLION (470 MILLION ARE FEDERAL) DURING THE SAME PERIOD. THE DIRECT EXPORT SUBSIDY FOR BREEDING CATTLE MENTIONED IN REF C WILL BE ELIMINATED IN 1976, ALONG WITH A FEW OTHER SUBSIDIES WHICH DO NOT HAVE ANY EXPORT EFFECT. THE DIRECT GOVERNMENT SUBSIDY TO THE FUND WHICH SUPPORTS THE GERMAN PROMOTIONAL ORGANIZATION FOR AGRICULTURAL PRODUCTS WILL ALSO BE ELIMINATED AS PLANNED IN EARLIER LEGISLATION. THE FUND HAS ITS OWN REVENUE FROM PRODUCER AND PROCESSOR CHECKOFFS; THUS PROMOTION WITHIN GERMANY AND FOR EXPORT WILL NOT BE SIGNIFICANTLY AFFECTED. THE HEATING-OIL SUBSIDY FOR GROWERS OF HOT HOUSE PRODUCE WHICH HAD A MODEST IMPORT SUBSTITUTION EFFECT, WILL ALSO BE ELIMINATED AS OF 1976. ON THE TAX EXEMPTION SIDE, THE VAT SUBSIDY WILL BE REDUCED IN STAGES (AMOUNT AND TIMEFRAME STILL UNDER DEBATE). THIS IS A DIRECT INCOME SUPPLEMENT WHOSE ELIMINATION WILL MEAN A LOSS OF INCOME TO THE FARMER, BUT SHOULD NOT BE CONSIDERED AN EXPORT SUBSIDY.
HILLENBRAND

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DATA, EXPORT SUBSIDIES, ECONOMIC REPORTS, COUNTERVAILING DUTIES
Control Number: n/a
Copy: SINGLE
Draft Date: 19 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN20577
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750442-0168
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751225/aaaaavtm.tel
Line Count: 212
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 204944, 75 BONN 17685, 75 BONN A-14
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 23 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 APR 2003 by MartinML>; APPROVED <12 AUG 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MTN: DATA BASE - SUBSIDIES
TAGS: ETRD, GE, GATT, MTN
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006